

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Update on State Legislation

ITEM NUMBER: 7a

ATTACHMENT(S): 1

ACTION: X

MEETING DATE: November 9, 2000

INFORMATION: ____

PRESENTER: Ed Derman

SUMMARY

Attached is a final summary of legislation affecting CalSTRS that the Legislature considered during this year.

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
1999-2000 Regular Session – October 24, 2000

[illegible]

AB 429 AUTHOR: Assembly Member Correa
 TITLE: Ad hoc payments to retired members and beneficiaries
 STATUS: Chapter 1027
 BOARD POSITION: Sponsor*

SUMMARY: Increases the monthly allowances for specified retired members by one to six percent depending upon year of retirement, disability or death.

COSTS: Benefit program – \$889 million over 15 years.
 Administrative – Up to a \$100,000 one-time cost.

P – CalSTRS (Sponsor), ACSA, CRTA, SSDA

0 – None known

AB 649 AUTHOR: Assembly Member Machado
 TITLE: CalSTRS/CalPERS Membership Election
 STATUS: Chapter 402
 BOARD POSITION: Neutral, if amended*

SUMMARY: Permits conversion of existing CalPERS credit and continued crediting in CalSTRS by a member who became employed by the State in a specified bargaining unit. Allows for the conversion of unused educational leave to service credit by specified state employee CalSTRS members of the Defined Benefit (DB) Program.

COSTS: Benefit program – Members who elect to convert CalPERS credit pay all net liabilities. Less than \$20,000 for educational leave provisions.

Administrative – Probably minor and absorbable costs

P – DPA, DOJ

O – SPB

[illegible]

P – None known
O – None known

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
1999-2000 Regular Session – October 24, 2000

BILL NO.	>>>	STATUS
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AB 820 AUTHOR: Assembly PER&SS
 TITLE: Partial redeposits of previously withdrawn contributions; purchase
 of previously excluded service; naming new spouse as option
 beneficiary; Cash Balance (CB) Benefit Program participation by
 trustees.
 STATUS: Chapter 1020
 BOARD POSITION: Support *

SUMMARY: Allows a member of CalSTRS to redeposit a portion of previously refunded member contributions. Provides for the purchase of a portion of creditable service by a member that was previously excluded from CalSTRS coverage. Permits a retired CalSTRS member receiving an unmodified allowance to name a spouse as an option beneficiary. Permits a person to participate in the CB Benefit Program, even if the person also works for an employer that does not offer that program. Permits a person who performs trustee service for a school district or community college district to elect to participate in the CB Benefit Program, if the district is a CB Benefit Program employer. Provides that a member's retirement allowance under the DB Program will not be reduced or modified if the member is also receiving a retirement benefit under specified Defined Contribution Plans.

COSTS: Benefit program – None.
Administrative – Minor and absorbable.

P – CRTA, CTA (Co-Sponsors)

0 – None known

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
1999-2000 Regular Session – October 24, 2000

[illegible]

AB 821 AUTHOR: Assembly PER&SS
 TITLE: Highest year final compensation
 STATUS: Chapter 1028
 BOARD POSITION: Support *

SUMMARY: Bases final compensation on the highest average annual compensation earnable by a member during a consecutive 12-month period of employment for those members with 25 or more years of credited service rather than on the highest average earnable compensation during any period of three consecutive school years.

COSTS: Benefit program – Amortized total cost of \$4,002 million over 30 years.

Administrative – One time absorbable implementation costs of approximately \$50,000.

P – ACSA, CFT, CTA & UTLA (Co-Sponsors), FACCC, CSBA, California
Independent Public Employees Legislative Council

0 – None known

AB 1509 AUTHOR: Assembly Member Machado
 TITLE: Benefit Supplement Program
 STATUS: Chapter 74
 BOARD POSITION: Support*

SUMMARY: Requires that 25 percent of the contributions of members of the DB Program be credited for the next 10 years to a separate nominal account in the Defined Benefit Supplement (DBS) Program, which is established in the bill

COSTS: Benefit program – Estimated total cost of \$2.9 billion.

Administrative – One-time costs of \$500,000 and on-going costs of \$1.4 million.

P – None known

0 – None known

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
1999-2000 Regular Session – October 24, 2000

[illegible]

AB 1733 AUTHOR: Assembly Member Wildman

TITLE: Postretirement earnings limit

STATUS: Chapter 896

BOARD POSITION: Support *

SUMMARY: Increases earnings limit to \$22,000 and eliminates limit until 2008 for members who have been retired from service for at least one year.

COSTS: Benefit program – Potential actuarial impact. Foregone actuarial gain estimated at \$1.2 million per year.

Administrative – Minor and absorbable.

P – CTA (Sponsor)

O – None known

AB 1736 AUTHOR: Assembly Member Ducheny

TITLE: Postretirement earnings exemption for 2-12 remedial instruction teachers

STATUS: Chapter 351

BOARD POSITION: Support *

SUMMARY: Exempts from the earnings limit a member who retired from service on or before July 1, 2000 and returns to a 2-12 classroom to provide direct remedial instruction to pupils.

COSTS: Benefit program – No actuarial impact. Insignificant foregone actuarial gain.

Administrative – Minor and absorbable.

P – None known

0 – None known

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
1999-2000 Regular Session – October 24, 2000

[illegible]

AB 1933 AUTHOR: Assembly Member Strom-Martin
 TITLE: Longevity bonus
 STATUS: Chapter 1029
 BOARD POSITION: Support

SUMMARY: Increases the monthly retirement allowance of a CalSTRS DB Program member who retires on or after January 1, 2001 and had, prior to January 1, 2011, 30 or more years of credited service. The member would receive a “longevity bonus” consisting of a monthly increase of \$200 per month for 30 years of creditable service, \$300 per month for 31 years of creditable service or \$400 per month for 32 or more years of creditable service.

COSTS: Benefit program – Total cost of \$1,835 million over 10 years.
 Administrative – Minor and absorbable.

P – CTA (sponsor), FACCC

0 – None known

AB 2100 AUTHOR: Assembly Member Dutra
 TITLE: Approval of state agency Internet content
 AMENDED: 5/15/00
 STATUS: Assembly CP, GE & ED (Held in committee)
 BOARD POSITION: Neutral, if amended*

SUMMARY: Designates the Department of Information Technology as the state agency responsible for administering, managing, maintaining and establishing policies for any information posted on the Internet by a State agency other than the State of California.

COSTS: Benefit program – None
 Administrative – Minor and absorbable.

P – None known

0 – None known

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
1999-2000 Regular Session – October 24, 2000

[illegible]

AB 2118 AUTHOR: Assembly Member Bock
 TITLE: Public retirement systems merger study
 AMENDED: 5/1/00
 STATUS: Assembly Appropriations (Held in committee)
 BOARD POSITION: Neutral (Staff recommendation)

SUMMARY: Requires CalSTRS and CalPERS to prepare and submit a report to the Legislature evaluating the benefits or negative consequences of a merging of the two systems on or before July 1, 2001.

COSTS: Benefit program – No impact
Administrative – Potentially significant costs to prepare report.

P – None known

O – None known

AB 2201 AUTHOR: Assembly Member Honda
 TITLE: Highest year final compensation; compounded COLA; 2% at 55;
 board elections; 80% purchasing power; career bonus
 STATUS: Assembly Appropriations (Held in committee)
 BOARD POSITION: Support, if amended (Staff recommendation)

SUMMARY: Provides 2 percent at age 55 retirement formula, highest year final compensation for all CalSTRS members, compounded COLA; 80 percent purchasing power and election of CalSTRS members to 13-member Board.

COSTS: Benefit program – 2 percent at age 55 (\$8.95 billion); Highest year compensation (\$5.11 billion); Compounded COLA (\$3.4 billion). 80 percent purchasing power, annual costs: (2003-2004, \$76.2 million; 2004-2005, \$82.5 million; 2005-2006, \$88.0 million).

Administrative – One time cost of up to \$92,000 for additional staff workload and one time cost of about \$25,000 for computer system modifications.

P – CTA (Sponsor), AARP State Legislative Committee, ACSA, CFT

0 – None known

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
1999-2000 Regular Session – October 24, 2000

[illegible]

AB 2226	AUTHOR:	Assembly Member Mazzoni
	TITLE:	Employer “pick-up” of member contributions
	STATUS:	Never assigned to committee
	BOARD POSITION:	Pending

SUMMARY: Makes a technical change to the employer “pick-up” of member contributions to CalSTRS DB Program.

COSTS: Benefit program – Pending
 Administrative – Pending

P – None known

0 – None known

AB 2383	AUTHOR:	Assembly Member Keeley
	TITLE:	CalSTRS support of district health programs/Part-time participation in CalPERS healthcare program
	STATUS:	Chapter 874
	BOARD POSITION:	Support*

SUMMARY: Expands eligibility under the Public Employees Medical and Hospital Care Act (PEMHCA) administered by CalPERS to include survivors of CalSTRS members and authorizes school employers to include CalSTRS members who work less than half time, as specified, for coverage under PEMHCA. Requires CalSTRS to report to the Legislature on or before April 1, 2001 on a prescription drug program and a health benefits program for retired members. Authorizes CalPERS to submit a proposal to CalSTRS to administer a health benefits program for retired CalSTRS members and their dependents.

COSTS: Benefit program – None.
Administrative – Under \$150,000.

P – Unknown

O – Unknown

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
1999-2000 Regular Session – October 24, 2000

[illegible]

AB 2456 AUTHOR: Assembly Member Wright
 TITLE: Retirement Option Program
 STATUS: Chapter 897
 BOARD POSITION: Support *

SUMMARY: Allows members of CalSTRS' DB Program who retire on or after January 1, 2002 and before January 1, 2011 and who have reached normal retirement age to elect to receive a specified portion of the retirement benefit as a lump-sum payment, with a reduced monthly allowance.

COSTS: Benefit program – None.
Administrative – Ongoing costs of up to \$100,000 annually.

P – FACCC

0 – None known

AB 2700 AUTHOR: Assembly Member Lempert
 TITLE: Creditable compensation
 STATUS: Chapter 1021
 BOARD POSITION: Sponsor *

SUMMARY: Makes all compensation for service creditable to the State Teachers' Retirement Plan effective July 1, 2002 or July 1, 2003, depending on increases in state funding for school districts in 2001-02. It also credits member and employer contributions with service in excess of 1.000 years per school year to the DBS Program. Finally, it reduces future General Fund contributions to the DB Program by about 35 percent.

COSTS: Benefit program – Total net costs of \$235 million over a 30-year period. Total reduction in General Fund contributions of about \$3,474 million over 30 years.

Administrative – Undetermined net cost.

P-CTA

0 – None known

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
1999-2000 Regular Session – October 24, 2000

[illegible]

AB 2745 AUTHOR: Assembly Member Kaloogian
 TITLE: Public retirement fund investments: terrorist-sponsoring nations
 AMENDED: 5/9/00
 STATUS: Assembly Appropriations (Held in committee)
 BOARD POSITION: Oppose*

SUMMARY: Requires CalSTRS and CalPERS to investigate and report on investments in foreign companies that pose a threat to national security, as specified, on or before January 15th each year.

COSTS: Benefit program – None.
Administrative – Unknown, but potentially significant.

P – California Professional Firefighters

0 – None known

AB 2839 AUTHOR: Assembly Member Firebaugh
 TITLE: 2 percent at age 55
 AMENDED: 4/25/00
 STATUS: Assembly Appropriations (Held in committee)
 BOARD POSITION: Support, if amended (Staff recommendation)

SUMMARY: Provides a 2 percent at age 55 retirement benefit formula for members retiring on or after January 1, 2001.

COSTS: Benefit program – Total costs of \$8.95 billion over 30 years.

 Administrative – One time costs of up to \$92,000 one-time costs for additional staff workload and one-time cost of about \$25,000 for computer system modifications.

P – CFT

0 – None known

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
1999-2000 Regular Session – October 24, 2000

[illegible]

SB 1435 AUTHOR: Senator Johnston
 TITLE: Payment of Medicare Part A premiums for CalSTRS members
 STATUS: Chapter 1032
 BOARD POSITION: Sponsor*

SUMMARY: Requires CalSTRS to pay the Medicare Part A premium if the member is not eligible for Medicare Part A coverage on a premium free basis, including any penalties applicable to enrollment in Medicare Part A or Part B for members who enroll after the age of 65.

COSTS: Benefit program – Total costs of \$1,257 million over 15 years.
 Administrative – One-time costs of \$500,000 and ongoing costs of \$270,000.

P – CalSTRS (Sponsor), ACSA, CFT, CRTA, CTA, UTLA

0 – None known

SB 1505 AUTHOR: Senator Burton
 TITLE: Extension of minimum guarantee
 STATUS: Chapter 1026
 BOARD POSITION: Support

SUMMARY: Extends eligibility for the minimum guaranteed monthly allowance enacted in Chapter 632, Statutes of 1999 (SB 713—Burton) that is paid to retired members of CalSTRS, their option beneficiaries and surviving spouses in varying amounts according to the member's years of credited service.

COSTS: Benefit program – \$89 million cost over 15 years.
Administrative – \$150,000-\$350,000 one-time.

P – CRTA (Sponsor), ACSA, CTA, UTLA

0 – None known

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
1999-2000 Regular Session – October 24, 2000

[illegible]

SB 1692 AUTHOR: Senator Ortiz
 TITLE: Enhanced benefits for pre-1999 retirees
 AMENDED: 8/25/00
 STATUS: Vetoed
 BOARD POSITION: Support *

SUMMARY: Enhances benefits to CalSTRS members who retire for service, reinstate as active members for at least one year and subsequently retire.

COSTS: Benefit program – An increase of \$9 million over 30 years.
 Administrative – Minor and absorbable.

P – CFT, CRTA, CTA, F.A.I.R.

0 – None known

SB 1693 AUTHOR: Senator Ortiz
 TITLE: 80 percent purchasing power
 STATUS: Senate Appropriations (Held in committee)
 BOARD POSITION: Support (Staff recommendation)

SUMMARY: Increases purchasing power protection to retired CalSTRS members and beneficiaries from 75 percent to 80 percent.

COSTS: Benefit program – Total annual costs: 2001-2002, \$62.8 million; 2002-2003, \$69.5 million; 2003-2004, \$76.2 million.

Administrative – Minor and absorbable.

P – CRTA (Sponsor), ACSA, ART, CFT, CTA, FAIR, UTLA

0 – None known

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
1999-2000 Regular Session – October 24, 2000

[illegible]

SB 1694 AUTHOR: Senator Ortiz
 TITLE: CalSTRS/CalPERS Membership Election
 STATUS: Chapter 880
 BOARD POSITION: Support*

SUMMARY: Allows a CalSTRS member who becomes employed by the State in an educational position to remain with CalSTRS, and a State Department of Education CalPERS member who becomes employed to perform CalSTRS-covered service to remain with CalPERS.

COSTS: Benefit program – Increased costs would be offset by increases in contributions.

Administrative – Minor, if any, impact.

P – California Department of Education (Sponsor), ACSA, AFSCME, CFA

0 – None known

SB 1928	AUTHOR:	Senator Haynes
	TITLE:	Public retirement fund investments: foreign companies
	AMENDED:	8/7/00
	STATUS:	Assembly Appropriations (Held in committee)
	BOARD POSITION:	Oppose*

SUMMARY: Requires CalSTRS and CalPERS to report annually on investments in foreign companies meeting specified criteria and encourages system to perform due diligence on potential foreign investments.

COSTS: Benefit program – None

Administrative – \$60,000 for third party contract to research information required under bill. Additional substantial research and opportunity costs.

P – CCPOA, Center for Religious Freedom

O – CalPERS

BILL NO.	>>>	STATUS
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P – CNEC, CTA
O – None known

COSTS: Benefit program – None
 Administrative – None

[illegible]

P – None known
O – None known

LEGEND OF ABBREVIATIONS

P = PROPONENTS O = OPPONENTS

<u>ABBREVIATION</u>	<u>ORGANIZATION</u>
AARP	American Association of Retired Persons, State Legislative Committee
AALA	Associated Administrators of Los Angeles
ACCCA	Association of California Community College Administrators
ACSA	Association of California School Administrators
AFSCME	American Association of State, County and Municipal Employees
AFT	American Federation of Teachers
AGENCY	State and Consumer Services Agency
A.R.E.	Association of Retirees for Equity
ART	Association of Retired Teachers
BOE	Board of Equalization
BOG	Board of Governors, California Community Colleges
Cal-Tax	California Taxpayers Association
CalPERS	California Public Employees Retirement System
CalPIRG	California Public Interest Research Group
CalSTRS	California State Teachers' Retirement System
CAPE	California Alliance for Pride and Equality
CASBO	California Association of School Business Officers
CCA	Community College Association
CCAE	California Council for Adult Education
CCC	California Community Colleges
CCPOA	California Correctional Peace Officers Association
CFA	California Faculty Association
CFT	California Federation of Teachers
CNEC	California Network of Educational Charters
CPCA	California Police Chiefs' Association
CPFFA	California Professional Firefighters Association
CRTA	California Retired Teachers Association
CSAC	California State Association of Counties
CSBA	California School Boards Association
CSEA	California School Employees Association
CSL	California Senior Legislature
CSU	California State University
CTA	California Teachers Association
DOE	Department of Education
DOF	Department of Finance
DGS	Department of General Services
DPA	Department of Personnel Administration
FACCC	Faculty Association of California Community Colleges
F.A.I.R.	Faculty Attempting to Improve Retirement
FCPHE	Faculty Coalition for Public Higher Education
FTB	Franchise Tax Board

LEGEND OF ABBREVIATIONS

P = PROPONENTS O = OPPONENTS

<u>ABBREVIATION</u>	<u>ORGANIZATION</u>
LADSA	Los Angeles Deputy Sheriffs' Association
LAUSD	Los Angeles Unified School District
OCDE	Orange County Department of Education
PARS	Public Agency Retirement System
PERF	Public Employees Retirement Fund
PORAC	Peace Officers Research Association of California
RPEA	Retired Public Employees Association
SACRS	State Association of County Retirement Systems
SBMA	Supplemental Benefit Maintenance Account
SDCOE	San Diego County Office of Education
SEIU	Service Employees International Union
SLC	State Lands Commission
SSC	School Services of California
SSDA	Small School Districts' Association
START	State Teachers' Automation Redesign Team
TRB	Teachers' Retirement Board
TRF	Teachers' Retirement Fund
TRL	Teachers' Retirement Law
UTLA	United Teachers of Los Angeles

STANDING COMMITTEES OF THE ASSEMBLY/SENATE

Assembly PER&SS	Assembly Public Employees, Retirement and Social Security
Senate PE&R	Senate Public Employment and Retirement